STATE OF WASHINGTON
STATE INVESTMENT BOARD
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April 7, 2006

Ms. Nancy Morris
Secretary
U.S. Securities and Exchange Commission
100 F. Street, Northeast
Washington D.C. 20549-9303

Re: File Number S7-03-06

Dear Ms. Morris:

On behalf of the Washington State Investment Board, (WSIB), I appreciate the opportunity to comment on the proposed new SEC rules related to executive compensation disclosure. The WSIB manages investments for 14 separate retirement funds for public employees, teachers, school employees, law enforcement officers, firefighters and judges. We also manage investments for 19 other funds that support or benefit industrial insurance, colleges and universities, developmental disabilities, and wildlife protection. Total assets under management as of Dec. 31, 2005 were $67 billion.

The WSIB commends the SEC for addressing an issue that has become one of the most glaring examples of corporate abuse. Based on information like the recent study by Institutional Shareholders Service showing that the average pay for corporate directors increased 14 percent between 2004 and 2005, the WSIB has made oversight of executive compensation one of its top priorities.

In general, the WSIB supports any effort that leads to more full and clear disclosure for investors. In particular, the WSIB supports the SEC's proposal to:

- Require companies to disclose the dollar value of stock options.
- Require disclosure of severance and change-in-control agreements, including the specific circumstances in which payments may be triggered.
- Require disclosure of retirement and post-employment benefits.
- Require disclosure of compensation for the principal executive officer (CEO), the principal financial officer (CFO) and the three most highly compensated executive officers.

With respect to related party transactions, we believe the 10% ownership threshold is both too high and potentially misleading. A banker or other professional that sits on a board may have an indirect stake in fees paid by the issuer to the professional's employer (e.g. bonus compensation) that does not necessarily involve any equity ownership in the professional services firm.

For example, a banker may not own much or any of a large investment bank, but his or her compensation may be tied to business that he or she initiates for the bank.

We also would urge the SEC to make the new disclosure rules applicable to all companies, regardless of size and revenue.

Overall, the proposed new rules should bring much-needed clarity to this critical issue and provide shareholders with the information they need to make better informed decisions. The WSIB would like to see the SEC remain active and engaged on the issue of executive compensation. Finally, we urge the SEC to act expeditiously to implement the new disclosure rules in time for the 2007 proxy season.

Sincerely,

Joseph A. Dear

Joseph A. Dear
Executive Director